

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 EB-04 COME-00 OMB-01 TRSE-00 CIEP-01

SAJ-01 NIC-01 SIL-01 LAB-01 /065 W

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P R 151653Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 8220

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

UMSISSION NATO 2456

DIA WASHDC

C O N F I D E N T I A L ROME 16024

DIA FOR A2 AND D15

PASS TREASURY

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: ITALIAN GOVERNMENT CRISIS

REF: ROME 15468

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1. SUMMARY: MORO'S CHANCES OF FORMING A GOVERNMENT REMAIN LESS THAN EVEN. FOLLOWING FANFANI'S FAILURE TO RECONCILE SOCIALIST AND SOCIAL DEMOCRATIC POLITICAL CONDITIONS FOR A FOUR-PARTY COALITION GOVERNMENT, SOCIAL DEMOCRATS ARE STEADFASTLY REFUSING TO SUPPORT AN AL DC GOVERNMENT WITHOUT A CLEARLY DEFINED AND JOINTLY AGREED PROGRAM. THE SOCIALISTS HAVE RULED OUT ANY JOINT MEETINGS. THE PSDI ATTITUDE CONFRONTS THE CHRISTIAN DEMOCRATS WITH THE DILEMMA OF WHETHER TO FORM A GOVERNMENT INVOLVING A SHIFT TO THE LEFT, I.E., WITHOUT THE SUPPORT OF THE MODERATE PSDI, OR CONTINUE THE CRISIS

WITH NO SOLUTION IN SIGHT. A FINAL PSDA REPLY TO MORO IS EXPECTED TOMORROW, AND THE DC DIRECTORATE IS SCHEDULED TO MEET NOVEMBER 18 TO THRASH OUT A DECISION AND/OR PLAN NEXT STEPS. END SUMMARY.

2. OVER THE LAST WEEK, MORO'S EFFORTS HAVE RUN INTO MOUNTING DIFFICULTIES BECAUSE THE SOCIAL DEMOCRATS HAVE REFUSED TO LEND THEIR SUPPORT TO A MORO ALL-DC GOVERNMENT SUPPORTED IN PARLIAMENT BY THE OTHER CENTER-LEFT PARTIES, WHICH THEY CONSIDER

WOULD BE HEAVILY CONDITIONED BY THE PSI AND IN WHICH THEY WOULD HAVE LITTLE INFLUENCE. MORO'S ATTEMPT TO GLOSS OVER THE POLITICAL ISSUES DIVIDING THE TWO HOSTILE CAMPS OF ITALIAN SOCIALISM APPEARS TO HAVE FAILED. THE DC IS THUS FACED WITH THE HIGHLY UNPLEASANT CHOICE OF WHETHER OR NOT TO ACCEPT A GOVERNMENT EXPOSED ON THE RIGHT FLANK TO PSDI OPPOSITION. THE CHOICE IS PARTICULARLY DIFFICULT, AS THE ALTERNATIVE TO A MORO GOVERNMENT TILTED IN FAVOR OF THE SOCIALISTS IS CONTINUING CRISIS, WITH INCREASING RISK OF DISSOLUTION OF PARLIAMENT AND EARLY ELECTIONS.

3. THE PSI, IN ITS PROMPT APPROVAL OF MORO'S VERBAL OUTLINE OF HIS UNPUBLISHED PROGRAM, HAS DOWNGRADED THE ARGUMENT THAT THE FUNDAMENTAL DETERMINANT OF ITS POSITION ALL ALONG HAS BEEN ECONOMIC POLICY. THE PARTY'S ACCEPTANCE OF THE MORO PROGRAM, EVEN BEFORE IT WAS PRESENTED IN WRITING, AND DEMARTINO'S VETO OF ANY FOUR-PARTY MEETING TO DISCUSS IT, CONFIRM ASSESSMENT THAT INTERNAL DIVISIONS DO NOT PERMIT IT TO IDENTIFY ITSELF WITH THE UNPOPULAR GOVERNMENT DECISIONS IT RECOGNIZES ARE NECESSARY. IN THE CIRCUMSTANCES, THE OPPORTUNITY TO CONDITION DC GOVERNMENT WHILE AVOIDING RESPONSIBILITY, IN A PACKAGE WHICH WOULD ALSO EXCLUDE

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THE PSI ARCH ENEMY, THE SOCIAL DEMOCRATS, WOULD BE AN OFFER THE SOCIALISTS COULDN'T REFUSE. HOWEVER, OPTIMISM THAT DC WILL DECIDE TO SUPPORT A MORO-LED, ONE-PARTY DEC GOVERNMENT WITHOUT SOCIAL DEMOCRAT SUPPORT HAS DISAPPEARED FROM LATEST PRONOUNCEMENTS OF PSI LEADERS.

4. THE PSDI, APPARENTLY ENCOURAGED BY EVIDENCE OF DC INTERNAL DIVISION, IS FIRMER NOW IN ITS POSITION THAN LAST WEEKEND. PARTY

DIRECTORATE MEETING TOMORROW WILL PROBABLY ACCEPT MORO'S ECONOMIC PROGRAM, BUT MAKE SUPPORT FOR A MORO ONE-PARTY GOVERNMENT CONDITIONAL ON A JOINT MEETING OF CENTER-LEFT PARTIES TO INSURE AGAINST UNILATERAL INTERPRETATIONS OF THE PROGRAM. PARTY'S LEFT WING LEADER, EX-PRESIDENT SARAGAT, STATED ALMOST CATEGORICALLY IN PRESENCE OF EMBOFF NOVEMBER 13 THAT MORO WOULD NOT MAKE IT (SARAGAT'S JUDGMENT ESPECIALLY SIGNIFICANT IN VIEW OF HIS OPEN DISSENT WITH TENACIOUS POSITION TAKEN BY MAJORITY OF HIS PARTY.)

5. REPUBLICAN PARTY OPTIMISM (WHICH LARGELY INSPIRED REPORTS AT BEGINNING OF WEEK THAT MORO WOULD SUCCEED) HAS EVAPORATED. PARTY DOES NOT NOW INTEND EVEN PRONOUNCE ITSELF ON MORO'S PROGRAM UNTIL AFTER THE DC DECIDES ITS OWN NEXT STEP.

6. DC SOURCES INDICATE THAT THE DC DIRECTORATE CONVENED FOR MONDAY NOVEMBER 18 (FOLLOWING THE FORMAL PSDI REPLY) WILL HAVE TO DECIDE WHICH PATH TO FOLLOW, UNLESS MORO DECIDES TO GIVE UP HIS ATTEMPT PRIOR TO THE MEETING. THE DC IS DIVIDED, WITH THE PARTY LEFT AND SOME ELEMENTS IN THE CENTER FACTIONS INCLUDING MINISTERS TAVIANI, GULLOTTI AND COLOMBO FAVORING A MORO GOVERNMENT, AND CENTER FACTION LEADERS LIKE BISAGLIA, PICCOLI AND ADREOTTI UNWILLING TO ACCEPT A GOVERNMENT WITHOUT PSDI SUPPORT. THE CHOICE, THESE SOURCES BELIEVE, IS NOW IN FANFANI'S HANDS, AND MORO FOLLOWERS ARE REPORTED THREATENING REVENGE IF HE FAILS TO SUPPORT THEM.

7. COMMENT: MORO AT THIS POINT STILL APPEARS TO HAVE A CHANCE OF SUCCESS, BUT IT IS LESS THAN EVEN. IF MORO FAILS, IT IS LIKELY THAT AN ATTEMPT WILL BE MADE TO PUT TOGETHER A TEMPORARY, ALL-DC GOVERNMENT ACCEPTABLE TO THE PSDI, WHOSE PRIMARY FUNCTION WOULD BE TO APPROVE THE BUDGET AND CARRY THE COUNTRY FORWARD LONG ENOUGH TO AVOID POLITICAL ELECTIONS IN MID-WINTER. SOCIALIST SUPPORT FOR SUCH A GOVERNMENT IS MOST UNCERTAIN. IN ANY CASE, A DC  
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DECISION TO END THE MORO EFFORT WILL GREATLY INCREASE THE POSSIBILITY OF EARLY POLITICAL ELECTIONS.  
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## Message Attributes

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